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WATSON IS A SICK OLD MAN

1. L1 IN WILL MAKE EVERY EFFORT PROSPECT ADDITIONAL FINANCIAL SUPPORT
 SCHLAGZEUG OVERHEAD COSTS (IE, SALARY L1 AND ASSISTANT WHICH NOT INCLUDED IN APPAR-
 APPARATUS COSTS). L1 ALSO HAS PROMISE FROM BINZ VERLAG OF FIRM'S STAFF TO REDUCE PRINCIPAL
 OF HIS, TO TAKE OVER SCHLAGZEUG WEST GERMAN DISTRIBUTION. PUBLICATION CARDINALE-BEING
SERVICED) CARDINALE OF COST AND TIME CONSUMED COMMERCIAL DISTRIBUTION
 WOULD REDUCE PRODUCTION TO ACTUAL DISTRIBUTION LEVEL (CURRENTLY 1000 COPIES
 MONTHLY) AND OTHERWISE PARE PRODUCTION COSTS TO MINIMUM. IN THIS CONNECTION
 HE SAID ORIGINAL DM 29,000 TOTAL MONTHLY COST FIGURE WAS CONSIDERABLY DISTORTED
 BY INCLUSION PRORATED SALARIES OF EMPLOYEES WHO NEEDED BUILD UP COMMERCIALIZATION
 BUT WHO NO LONGER NEEDED MAINTAIN IT NOW THAT IT FIRMLY ESTABLISHED. HE CONVINCED
 IT CAN BE KEPT GOING UNDER JOINT BINZ HAMMERSTEIN ARRANGEMENT WITHOUT DEFICIT,
 WITHOUT ANY SUPPORT FROM KURMARK AND WITH GOOD CHANCE (INCREASE SALES) INCOME
 THROUGH GIANT BINZ SALES APPARATUS (SECOND LARGEST IN WEST GERMANY). HE UNWILLING
 CONSIDER ANY ALTERNATIVE COVER ACTIVITY (PUBLICATION), PARTLY BECAUSE OF UN-
 CERTAIN COST ASPECTS INVOLVED, PARTLY BECAUSE HIS PERSONAL AND CARDINALE'S OVERT
 STANDING NOW IRREVOCABLY TIED TO FATE SCHLAGZEUG.

2. L1 WILL SUBMIT DETAILS OF HAMMERSTEIN BINZ PLAN. WILL FAX POUCH WHEN
 RECEIVED. PENDING RECEIPT AND ON BASIS ABOVE INFO WE INCLINED GIVE L1 THIS LAST
 CHANCE SALVAGE SCHLAGZEUG FOR SEVERAL REASONS: (A) NO QUESTION SUDDEN DISAPPEARANCE

S-E-C-R-E-T

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SOURCE: FEDC-21 BUDGET BUCHHOLZ 1981-1982, BUDGET BUCHHOLZ, 1981-1982

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SCHLAGZEUG WOULD CREATE COMPLICATIONS FOR CARDINALE (B) INVOLVES NO COST TO KUBARK UNLESS IT FAILS IN WHICH CASE MINOR COSTS WOULD BE REQUIRED TO CLEAN DOWN L1 UNDERSTANDS OUR SUBSIDY FOR COMMERCIALIZATION WILL END 30 JUNE (C) ALTERNATIVE IS TERMINATION WITH UNCERTAIN SALVAGE PROSPECTS (AT THIS STAGE HAVE FOR TACTICAL REASONS NOT BROACHED SEPARATELY WITH L4 CHANCES SALVAGING PRODUCTION DISTRIBUTION ASSETS IN EVENT PROJECT DISSOLUTION (D) IF HAMMERSTEIN BINZ DEAL DOES NOT WORK OUT FOR SOME REASON WE WILL HAVE LOST NOTHING BUT TIME BUT WILL UNDOUBTEDLY HAVE CREATED BETTER ATMOSPHERE FOR LATER PROJECT TERMINATION, IF NECESSARY, AND SALVAGING ASSETS THROUGH L1 AND L4.

4. L1 URGED ME BE ALLOWED PUSH NEGOTIATIONS WITH SAGNER (RE MODERNE SOZIALISMUS) AND TOYKA (AT UNDEFINED COOPERATION IN COMBATING COMMUNIST INFILTRATION IN WEST GERMANY). BOTH HAD EXPRESSED DESIRE THROU BUSINESS LCCASSOCKS WAY WE TOLD L1 THIS NOT CALLED IN CONTEXT PRESENT PBP/PRIME CAMASH PARTICIPATION FRAMEWORK.

5. ON BALANCE WE TELL, ESPECIALLY IN LIGHT REF B ADVICE, THAT LCCASSOCK PRODUCTION DISTRIBUTION CAPABILITY AGAINST PRIORITY RMO TARGETS JUSTIFIES FAVORABLE CONSIDERATION ABOVE L1 AND L4 PROPOSAL, INCLUDING COMPROMISE ON SCHLAGZEUG, PARTICULARLY IF THERE CHANCE BY 1960 BUDGET CAN BE RAISED TO \$90,000 (IN WHICH CASE MONTHLY FIXED COSTS WOULD EXCEED BY ONLY \$800 THE LEVEL SET BY BOB'S ARBITRARY "HALVED FIXED COST" INSTRUCTION). WISH EMPHASIZE PROPOSALS REPRESENT

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END

FINAL L1 AND L4 POSITION. WE SEE NO FIELD ALTERNATIVE TO ACCEPTANCE EXCEPT PROJECT TERMINATION AND ATTEMPT SALVAGE ASSETS. REQUEST ADVICE SOONEST, PREFERABLY BEFORE 15 MAY, SINCE EMPLOYMENT REGULATIONS SUCH THAT COST PERSONNEL TERMINATION WILL INCREASE SIGNIFICANTLY UNLESS NOTICES ISSUED BY THAT DATE.

6. FRAN: IF YOU AGREE IT DESIRABLE AT THIS STAGE, SUGGEST BONN TOUCH BARE SOONEST WITH DELLINGSHAUSEN RE COORDINATION DIFFERING DELLINGSHAUSEN HAMMERSTEIN APPROACHES RE SCHLAGZEUG.

FRAN B/C NOTE: DATE THIS MSG 8 MAY 59.

END OF MESSAGE

C/B COMMENT: HQD REQUESTED BE ADVISED RE STATUS LCCASROCK DISTRIBUTION CAPABILITY PARTICULARLY MAIL INFILTRATION ASSETS.

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